

Senate Engrossed House Bill

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

CHAPTER 203

## **HOUSE BILL 2657**

AN ACT

AMENDING SECTION 42-14156, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX VALUATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 42-14156, Arizona Revised Statutes, is amended to  
3 read:

4 42-14156. Computing valuation of electric generation  
5 facilities; definitions

6 A. The valuation of electric generation facilities referred to in  
7 section 42-14151, subsection A, paragraph 4 shall be determined as follows:

8 1. The value of land used by IN OPERATING the facility shall be  
9 ~~determined by the county assessor in the county in which the property is~~  
10 ~~located and transmitted to the department~~ THE COST TO THE CURRENT OWNER AS OF  
11 DECEMBER 31 OF THE PRECEDING CALENDAR YEAR.

12 2. The valuation of real property improvements used in operating the  
13 facility is the cost multiplied by valuation factors prescribed by tables  
14 adopted by the department.

15 3. The valuation of personal property used in operating the facility  
16 is the cost multiplied by the valuation factors as prescribed by tables  
17 adopted by the department, adjusted as follows:

18 (a) For the first year of assessment, the department shall use  
19 thirty-five per cent of the scheduled depreciated value.

20 (b) For the second year of assessment, the department shall use  
21 fifty-one per cent of the scheduled depreciated value.

22 (c) For the third year of assessment, the department shall use  
23 sixty-seven per cent of the scheduled depreciated value.

24 (d) For the fourth year of assessment, the department shall use  
25 eighty-three per cent of the scheduled depreciated value.

26 (e) For the fifth and subsequent years of assessment, the department  
27 shall use the scheduled depreciated value as prescribed in the department's  
28 guidelines.

29 4. In addition to the computation prescribed in paragraphs 2 and 3 of  
30 this subsection, the taxpayer may submit documentation showing the need for,  
31 and the department shall consider, an additional adjustment to recognize  
32 obsolescence using standard appraisal methods and techniques.

33 5. The valuation prescribed in paragraph 2 of this subsection shall  
34 not reduce the valuation below ten per cent of the cost of the real property  
35 improvements. The valuation prescribed in paragraph 3 of this subsection  
36 shall not reduce the valuation below ten per cent of the cost of the personal  
37 property.

38 6. The following apply in determining cost for the purposes of this  
39 subsection:

40 (a) "Cost" means the cost of constructing the property or acquiring  
41 the property in an arm's length transaction.

42 (b) The cost of personal property is the invoice cost of the personal  
43 property, the cost of transporting the property to the facility site and the  
44 cost of labor to install the property, plus any transaction privilege or use  
45 taxes paid.

46 (c) The cost of leased property is the lessor's cost of the property,  
47 except that in the case of a lease financing transaction, the cost is the

1 actual cost of construction based on the invoice cost similar to any other  
2 type of financing.

3 (d) In the case of a facility that is acquired from another taxpayer:

4 (i) If, after the acquisition, the buyer has possession of the cost  
5 information, the valuation of the facility shall continue based on the  
6 seller's cost as if there were no change in ownership, EXCEPT FOR LAND AS  
7 PROVIDED IN SUBSECTION A, PARAGRAPH 1.

8 (ii) If, after the acquisition, the buyer does not possess the cost  
9 information, the acquisition cost in an arm's length transaction shall be  
10 used.

11 (e) For generation facilities that were in service before January 1,  
12 2001, costs incurred before January 1, 2002 shall be computed in accordance  
13 with section 42-14158. For these facilities, all costs incurred on or after  
14 January 1, 2002 shall be reported in accordance with subdivisions (a) through  
15 (d) of this paragraph.

16 7. The department shall not value personal property construction work  
17 in progress until the property is first placed in commercial service. For  
18 the purposes of this paragraph, "commercial service" means:

19 (a) For machinery and equipment used in the generation of electricity  
20 being valued and placed on the tax roll for the first time, the official  
21 assumption of operation and ownership of the machinery and equipment from the  
22 contractor by the plant operator.

23 (b) For machinery and equipment added to existing electric generation  
24 facilities, that the construction work has progressed to a sufficient degree  
25 for the machinery and equipment to be useful for the purpose for which it is  
26 being constructed.

27 (c) For machinery and equipment related to self-constructed  
28 facilities, that the construction work has progressed to a sufficient degree  
29 for the machinery and equipment to be useful for the purpose for which it is  
30 being constructed.

31 B. For the purposes of this section:

32 1. "ELECTRIC GENERATION FACILITY" MEANS ALL LAND, BUILDINGS AND  
33 PERSONAL PROPERTY THAT IS SITUATED IN THIS STATE AND THAT IS USED OR USEFUL  
34 FOR THE GENERATION OF ELECTRIC POWER.

35 ~~1-~~ 2. "Personal property" means all tangible property except for land  
36 and real property improvements as defined in this section. Personal property  
37 includes foundations or supports for the machinery or apparatus for which  
38 they are provided, including water cooling towers.

39 ~~2-~~ 3. "Real property improvements" means buildings, including  
40 administration buildings, maintenance warehouses and guard shacks, water  
41 retention ponds, sewage treatment ponds, reservoirs, sidewalks, drives,  
42 curbs, parking lots, tunnels, duct banks, canals, fencing and landscaping.

43 Sec. 2. Retroactivity

44 This act applies retroactively to valuation years beginning from and  
45 after December 31, 2006.

~~APPROVED BY THE GOVERNOR MAY 11, 2007.~~

~~FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 11, 2007.~~